
The Connect America Fund Phase II Auction: Cooperatives Take Advantage of Opportunity to Expand Voice and Broadband Services

What has changed?

In 2011, the Federal Communications Commission (FCC) adopted the Universal Service Fund/Intercarrier Compensation Transformation Order. This order allows the FCC to expand funding to support broadband infrastructure investment. From this order came the Connect America Fund (CAF), a program that “expand(s) access to voice and broadband services where unavailable.”¹ CAF funding is broken down into several categories:

- a mobility fund, including a tribal mobility fund
- a fund for remote and extremely high-cost areas
- approximately \$1.8 billion in annual support for wireline broadband and voice services in the high-cost areas that price-cap carriers serve
- approximately \$2.0 billion annually for broadband and voice services for the high-cost areas that rural rate-of-return carriers serve.²

What is the impact on cooperatives?

Between July 2018 and August 2018, the FCC conducted another phase of the CAF auction. The CAF II auction marks the first time that the FCC has made this funding available to entities other than incumbent telecommunications providers, including electric cooperatives. Thirty electric cooperatives were announced as winners of the CAF II auction. Those winning electric cooperatives will collectively receive \$225 million over ten years to help defray the costs of deploying broadband in unserved areas. Below is the list of the cooperative winners, and a map of the results is available on the FCC website at

<https://www.fcc.gov/maps/caf2-auction903-results/>.

Cooperative Winners

- 3E8 Broadband Solutions, LLC (AR)
- Barry Electric Cooperative (MO)
- HolstonConnect, LLC (TN)
- Illinois Electric Cooperative (IL)
- Lake Region Technology & Communications, LLC (OK)
- Maquoketa Valley Rural Electric Cooperative (IA)
- Mid-States Services, LLC (MO)
- Meriwether Lewis Connect LLC (TN)
- Orange County REMC (IN)
- Roseau Electric Cooperative, Inc. (MN)
- Tombigbee Communications, LLC (AL)
- Tri-County Electric Cooperative (MI)
- Tri-County Rural Electric Cooperative, Inc. (PA)

¹ <https://www.fcc.gov/consumers/guides/connect-america-fund-phase-ii-faqs>

² <http://www.bbpmag.com/Features/0715ConnectAmericaFund.php>

The winners below won through the Rural Electric Cooperative Consortium – a coalition of co-ops that are collaborating on solutions to bridge the digital divide:

Rural Electric Cooperative Consortium Winners

- Arkansas Valley Electric Cooperative Corporation (AR)
- B-A-R-C Electric Cooperative (VA)
- Callabyte Technology, LLC (MO)
- Central Virginia Electric Cooperative (VA)
- Co-Mo Comm, Inc. (MO)
- Consolidated Electric Cooperative (OH)
- Douglas Services, Inc. (OR)
- Great Lakes Energy Cooperative (MI)
- Midwest Energy Cooperative (MI)
- NEXT, Powered by NAEC, LLC (AR)
- OzarksGo, LLC (AR)
- Arkansas Valley Electric Cooperative Corporation (AR)
- B-A-R-C Electric Cooperative (VA)
- Callabyte Technology, LLC (MO)
- Central Virginia Electric Cooperative (VA)
- Co-Mo Comm, Inc. (MO)
- Consolidated Electric Cooperative (OH)

What do cooperatives need to know or do about it?

The CAF II auction winners resulted in projects with higher speeds and lower latency. “As a result, 53 percent of all homes and businesses served with support from the auction will have broadband available with download speeds of at least 100 megabits per second. 19 percent will have gigabit service available. And 711,389 locations — all but 0.25 percent — will have at least 25 Mbps service available.”³ In the Public Notice on the CAF II auction, the FCC stated that “of the 974,223 locations in the 30,033 eligible census block groups (CBGs), approximately 73 percent of the locations are covered by winning bids.”⁴ This means that 27 percent of all locations (263,040 locations) in the auction did NOT have a winner. The FCC may roll the funding associated with those locations without a winner into the Remote Areas Fund reverse auction slated for 2019.

Additional Resources:

- [Broadband Case Studies](#)
- [Value of the Broadband Backbone](#)

Contacts for Questions:

Regarding FCC Regulatory Matters and This Advisory	Regarding Business and Technical Questions
Brian O’Hara Regulatory Issues Director Government Relations Brian.O’Hara@nreca.coop Ph: 703.907.5798	Paul Breakman Sr. Director, Cooperative Systems Business and Technology Strategies Paul.Breakman@nreca.coop Ph: 703.907.5844

³ <https://docs.fcc.gov/public/attachments/DOC-353840A1.pdf>

⁴ <https://docs.fcc.gov/public/attachments/DA-18-887A1.pdf>